

Message Text

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ACTION OES-07

INFO OCT-01 EUR-12 ISO-00 DOEE-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 NRC-05
SOE-02 AID-05 CEA-01 COME-00 EB-08 DOE-15 H-01
INR-10 INT-05 L-03 OMB-01 PM-05 SP-02 SS-15
STR-07 TRSE-00 ACDA-12 /117 W
-----113993 301924Z /46

O R 301710Z JUN 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 3953
INFO AMCONSUL FLORENCE
AMCONSUL GENOA
AMCONSUL NAPLES
AMCONSUL MILAN
AMCONSUL PALERMO
AMCONSUL TRIESTE
AMCONSUL TURIN

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E.O. 11652: N/A
TAGS: TECH, ENGR
SUBJECT: SOLAR ENERGY POLICY REVIEW

REF: A. STATE 145840, B) ROME 10165; C) ROME 11451

1. SUMMARY: THE MISSION BELIEVES THAT CURRENT CRITERIA FOR
EVALUATING INTERNATIONAL SOLAR ENERGY ACTIVITIES ARE SOMETIMES
TOO NARROWLY TECHNOLOGICAL IN FOCUS. POLITICAL AND COMMERCIAL
RETURNS TO THE U.S. FROM COOPERATIVE SOLAR, AS WELL AS OTHER,
ENERGY ACTIVITIES MAY BE SUBSTANTIAL. THESE NON- TECHNOLOGICAL
RETURNS SHOULD NOT BE REGARDED AS IN THEMSELVES SUFFICIENT TO
JUSTIFY ENERGY COOPERATION ON A LONG-TERM BASIS, BUT THE MISSION
BELIEVES THAT THE INITIATION OF SOME BILATERAL COOPERATION MAY BE
IN THE NATIONAL INTEREST IF WE ADD TO THE TECHNOLOGICAL BENEFITS
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SOME CONSIDERATION OF POLITICAL AND COMMERCIAL BENEFITS. END SUMMARY.

2. THE MISSION HAS PREVIOUSLY LAID OUT IN SOME DETAIL ITS VIEWS
ON POLITICAL AND COMMERCIAL BENEFITS TO THE U.S. OF BILATERAL
ENERGY COOPERATION WITH ITALY (REF B). MANY OF THESE BENEFITS
MAY EXIST IN RELATIONSHIPS WITH OTHER COUNTRIES AS WELL. IN
PARTICULAR, WE BELIEVE THAT SOLAR COOPERATION CAN SUBSTANTIALLY

ENHANCE THE U.S. IMAGE ABROAD AND BRING LONG-TERM COMMERCIAL BENEFITS, EVEN IF LITTLE HARDWARE IS ACTUALLY EXPORTED FROM THE UNITED STATES. IN ADDITION, REDUCED DEPENDENCE OF OUR ALLIES AND OF NEUTRALY COUNTRIES ON POTENTIALLY HOSTILE ENERGY SUPPLIERS CAN DIRECTLY BENEFIT WORLD STABILITY AND PEACE.

3. WE WOULD EMPHASIZE THAT THESE ARGUMENTS APPLY NOT ONLY TO DEVELOPING COUNTRIES BUT ALSO TO A DEVELOPED COUNTRY AND NATO MEMBER LIKE ITALY. THERE APPEARS TO BE A TENDENCY FOR LESS STRONGLY ALLIED COUNTRIES TO OBTAIN CLEARER BILATERAL COMMITMENTS FROM THE U.S., AS FOR EXAMPLE IN THE CASES OF SOLAR COOPERATION WITH SPAIN AND SAUDI ARABIA. SUCH POLICY ON OUR PARY MAY ENCOURAGE THOSE IN ITALY WHO BELIEVE THE ITALIAN NATIONAL INTEREST WOULD BE BETTER SERVED BY LOOSER TIES TO THE U.S. AND TO NATO.

4. SO FAR AS THE SALE OF U.S. SOLAR TECHNOLOGIES IS CONCERNED, THE HIGH PRICES OF FOSSIL FUELS IN ITALY AND THE WIDESPREAD AVAILABILITY OF GOOD INSULATION MAKE THE POTENTIAL SOLAR MARKET VERY LARGE. SOLAR HOT WATER HEATING IN MANY PARTS OF ITALY IS ALREADY ECONOMIC, WITH A FOUR OR FIVE-YEAR PAYBACK TIME ON THE CAPITAL INVESTMENT. THE GOI IS EXPECTED TO ACT SOON ON A PACKAGE OF MEASURES THAT WILL MAKE SOLAR TECHNOLOGIES, INCLUDING WIND AND BIOMASS TECHNOLOGIES, EVEN MORE ATTRACTIVE.

5. WE THINK IT UNLIKELY THAT U.S. MANUFACTURED HARDWARE COULD CAPTURE A SIGNIFICANT PORTION OF THE GROWING SOLAR MARKET. THE LIMITED OFFICIAL USE

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GOI WILL WANT TO ENCOURAGE DOMESTIC PRODUCTION OF SOLAR EQUIPMENT, AND WITH THE POSSIBLY IMPORTANT EXCEPTION OF PHOTOVOLTAICS ITALIAN FIRMS HAVE THE NECESSARY CAPABILITIES. BIOMASS TECHNOLOGIES (ESPECIALLY WASTE-BURNING ELECTRIC-GENERATING STATIONS AND FERTILIZER-FROM-WASTE MANUFACTURING PLANTS) ARE ALREADY FAIRLY WIDESPREAD IN ITALY, AND WE DOUBT THAT THERE IS ANY MAJOR POTENTIAL FOR U.S. TECHNOLOGIES - IN FACT, WE SUSPECT THERE MAY BE OPPORTUNITIES FOR ITALIAN COMPANIES IN THE U.S.

6. U.S. SOLAR TECHNOLOGIES COULD, HOWEVER, PLAY AN IMPORTANT ROLE IN ITALY, AS HAVE U.S. NUCLEAR TECHNOLOGIES (GE AND WESTINGHOUSE BOTH HAVE LICENSEES IN ITALY). AT A RECENT SOLAR ENERGY FAIR IN GENOA, ITALIAN MANUFACTURERS EXPRESSED GREAT INTEREST IN LICENSING ARRANGMENT OR JOINT VENTURES WITH U.S. COMPANIES, AND THE EMBASSY HAS NOTED A MARKED INCREASE IN INQUIRIES FROM ITALIAN COMPANIES ABOUT U.S. SOLAR TECHNOLOGY. LARGE NUMBERS OF PEOPLE VISITED A RECENT ICA SOLAR EXHIBIT AT THE PALERMO MEDITERRANEAN FAIR.

7. IN ENTERING THE ITALIAN MARKET, U.S. TECHNOLOGY WOULD HAVE TO COMPETE IN THE FIRST PLACE IN LOW-TEMPERATURE AND SPACE HEATING WITH TECHNOLOGY THAT IS GENERALLY HIGH-QUALITY BUT ALSO RELATIVELY HIGH IN PRICE. DURING THE NEXT FEW YEARS, WE EXPECT TO SEE INTENSE

COMPETITION AS COMPANIES TRY TO ESTABLISH REASONABLY STABLE MARKET SHARES OF RAPIDLY GROWING SALES (ONE KNOWLEDGEABLE SOURCE ESTIMATES THAT SOLAR EQUIPMENT SALES IN THE FIRST FOUR MONTHS OF 1978 WERE APPROXIMATELY 4.5 MILLION DOLLARS, FOUR TIMES THE SALES IN ALL OF 1977). MUCH OF THIS CURRENT VOLUME IS FOR DEMONSTRATION PROJECTS UNDERTAKEN BY PRIVATE AND PUBLIC ENTERPRISES AND BY LOCAL OR REGIONAL GOVERNMENTS, BUT WE BELIEVE A MORE ECONOMICALLY MOTIVATED MARKET (AND ONE MORE OPEN TO FOREIGN TECHNOLOGIES) IS DEVELOPING AND WILL GROW IN THE NEAR FUTURE.

8. THE ONLY EXISTING COMMERCIAL SOLAR COLLABORATION BETWEEN U.S. AND ITALIAN FIRMS OF WHICH WE KNOW IS THE ACCUREX-LED CONSORTIUM THAT IS DESIGNING ONE OF THE IEA POWER TOWERS IN SPAIN. TWO ITALIAN COMPANIES PARTICIPATE IN THIS CONSORTIUM. KNOWN WHAT LIMITED OFFICIAL USE

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WE DO ABOUT ITALIAN ATTITUDES TOWARD COOPERATION WITH U.S. FIRMS IN EXPORTING OTHER PRODUCTS, WE WOULD EXPECT ITALY TO WELCOME COLLABORATION IN EXPORTING SOLAR EQUIPMENT TO THIRD COUNTRIES, ESPECIALLY IN THE MIDDLE EAST.

9. IN FACT, USG SUPPORT FOR SOLAR COMMERCIAL ACTIVITY ABROAD IS, IN OUR EXPERIENCE, WEAK. THE DOC PLANTS VISITS CATALOGUE DOES NOT LIST SOLAR FIRMS PER SE, AND DOE DOES NOT APPEAR TO HAVE A SYSTEM FOR HANDLING EXEDITIOUSLY INQUIRIES ABOUT U.S. SOLAR TECHNOLOGIES. TO OFFER ONE EXAMPLE, A CABLE SENT BY THIS MISSION THREE MONTHS AGO CONCERNING A POSSIBLE OPPORTUNITY TO EXHIBIT BUILDING CONSERVATION (AND SOLAR) TECHNOLOGIES (ROME 4751) HAS NOT YET BEEN ANSWERED, DESPITE A FOLLOWUP CABLE (ROME 10620).

9. THE MISSION THEREFORE WARMLY WELCOMES THE INTERNATIONAL COMPONENT OF THE SOLAR ENERGY POLICY REVIEW. THE USG IS SPENDING LARGE AMOUNTS OF MONEY TO DEVELOP AND TO DEMONSTRATE SOLAR TECHNOLOGIES THAT EVEN WITH THE PASSAGE OF THE ADMINISTRATION'S ENERGY PLAN WILL HAVE ONLY A LIMITED OPPORTUNITY FOR APPLICATION WITHIN THE U.S. THE OPPORTUNITIES ABROAD ARE MANY, AND THE POLITICAL AND COMMERCIAL BENEFITS MIGHT REDUCE SUBSTANTIALLY OUR DOMESTIC LOSSES. GARDNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, SOLAR POWER
Control Number: n/a
Copy: SINGLE
Draft Date: 30 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ROME12196
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780271-0401
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978063/aaaaabxm.tel
Line Count: 158
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d0193a83-c288-dd11-92da-001cc4696bcc
Office: ACTION OES
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 145840, 78 ROME 10165, 78 ROME 11451
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2241270
Secure: OPEN
Status: NATIVE
Subject: SOLAR ENERGY POLICY REVIEW
TAGS: TECH, ENRG, IT
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d0193a83-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014